

Part 3: Financial Position and Operation Performance

13. Key Financial Figures

Statements of Financial Position as at December 31 of the 3-year period:

Description	2016		2015		2014 (Restated)#	
	Million Baht	%	Million Baht	%	Million Baht	%
<b><u>Current assets</u></b>						
Cash and cash equivalents	120.06	6.13	589.34	31.76	2.14	0.19
Temporary investments	410.95	20.98	16.50	0.89	-	-
Trade and other receivables	100.54	5.13	90.34	4.87	50.19	4.41
Accrued revenues from hospital operations	150.65	7.69	135.09	7.28	174.73	15.35
Inventories	19.37	0.99	19.43	1.05	17.81	1.56
Other current assets	3.12	0.16	3.98	0.21	3.74	0.33
<b>Total current assets</b>	<b>804.69</b>	<b>41.09</b>	<b>854.67</b>	<b>46.06</b>	<b>248.61</b>	<b>21.84</b>
<b><u>Non-current assets</u></b>						
Long term fixed deposit			0.40	0.02	-	-
Restricted deposit	40.72	2.08	63.08	3.40	0.68	0.06
Investment property	74.48	3.80	74.60	4.02	74.72	6.56
Property, plant and equipment	949.21	48.47	774.87	41.76	734.59	64.53
Land leasehold right	20.40	1.04	21.85	1.18	14.74	1.29
Intangible assets	36.26	1.85	29.86	1.61	29.85	2.62
Deferred tax assets	30.50	1.56	32.36	1.74	32.93	2.89
Other non-current assets	2.26	0.12	3.78	0.20	2.25	0.20
<b>Total non-current assets</b>	<b>1,153.83</b>	<b>58.91</b>	<b>1,000.80</b>	<b>53.94</b>	<b>889.77</b>	<b>78.16</b>
<b>Total assets</b>	<b>1,958.53</b>	<b>100.00</b>	<b>1,855.47</b>	<b>100.00</b>	<b>1,138.38</b>	<b>100.00</b>

(#) 2014 financial figures were restated as show in 2015 audited financial statements.

Statements of Financial Position as at December 31 of the 3-year period: (continued)

Description	2016		2015		2014 (Restated)#	
	Million Baht	%	Million Baht	%	Million Baht	%
<b><u>Current liabilities</u></b>						
Overdrafts from financial institutions	21.66	1.11	2.62	0.14	55.57	4.88
Trade and other payables	168.25	8.59	180.96	9.75	141.03	12.39
Current portion of long-term liabilities						
Liabilities under financial lease agreements	20.89	1.07	14.71	0.79	8.84	0.78
Long-term loans from financial institution			-	-	57.40	5.04
Short-term loans from related persons & parties			-	-	43.80	3.85
Income tax payables	8.75	0.45	2.05	0.11	5.63	0.49
Others current liabilities	10.28	0.52	6.10	0.33	6.80	0.60
<b>Total current liabilities</b>	<b>229.83</b>	<b>11.74</b>	<b>206.44</b>	<b>11.13</b>	<b>319.06</b>	<b>28.03</b>
<b><u>Non - current liabilities</u></b>						
Liabilities under financial lease agreements	65.56	3.35	40.24	2.17	17.31	1.52
Long-term loans from financial institution			-	-	243.38	21.38
Employee benefit obligations	44.53	2.27	31.91	1.72	28.48	2.50
Deferred tax liabilities	3.74	0.19	3.38	0.18	2.39	0.21
Other non-current liabilities	7.59	0.39	2.36	0.13	1.66	0.15
<b>Total other non-current liabilities</b>	<b>121.41</b>	<b>6.20</b>	<b>77.89</b>	<b>4.20</b>	<b>293.22</b>	<b>25.76</b>
<b>Total liabilities</b>	<b>351.25</b>	<b>17.93</b>	<b>284.33</b>	<b>15.32</b>	<b>612.28</b>	<b>53.79</b>

Description	2016		2015		2014 (Restated)#	
	Million Baht	%	Million Baht	%	Million Baht	%
<b><u>Shareholders' equity</u></b>						
Share capital Authorized share capital						
750,000,000 ordinary shares, Baht 0.50 par value	375.00	19.15	375.00	20.21	375.00	32.94
Issued and fully paid-up						
750,000,000 ordinary shares, Baht 0.50 par value	375.00	19.15	375.00	20.21	-	-
550,000,000 ordinary shares, Baht 0.50 par value	-	-	-	-	275.00	24.16
Premium on ordinary shares	922.83	47.12	922.83	49.74	45.25	3.97
Premium from purchasing of investment in subsidiary	5.63	0.29	5.63	0.30	5.63	0.49
Ratained earning						
Appropriated						
Legal reserve	37.50	1.91	37.50	2.02	37.50	3.29
Unappropriated	265.28	13.54	229.25	12.36	161.80	14.21
<b>Total equity attributable to owners of the company</b>	<b>1,606.24</b>	<b>82.01</b>	<b>1,570.21</b>	<b>84.63</b>	<b>525.17</b>	<b>46.13</b>
Non-controlling interests of the subsidiaries	1.03	0.05	0.93	0.05	0.92	0.08
<b>Total shareholders' equity</b>	<b>1,607.28</b>	<b>82.07</b>	<b>1,571.14</b>	<b>84.68</b>	<b>526.10</b>	<b>46.21</b>
<b>Total liabilities and shareholders' equity</b>	<b>1,958.53</b>	<b>100.00</b>	<b>1,855.47</b>	<b>100.00</b>	<b>1,138.38</b>	<b>100.00</b>

(#) 2014 financial figures were restated as show in 2015 audited financial statements.

Statements of Comprehensive Income for the 3- year ended December 31:

Description	2016		2015		2014 (Restated)#	
	Million Baht	%	Million Baht	%	Million Baht	%
<b>REVENUES</b>						
Revenues from hospital operations	1,213.16	89.01	1,145.71	91.24	1,044.08	91.86
Revenues from services	115.32	8.46	98.40	7.84	84.40	7.43
Other incomes						
Investments income, net of private fund	21.94	1.61	-	-	-	-
Rental income	5.33	0.39	4.61	0.37	4.15	0.36
Others	7.17	0.53	6.98	0.56	3.95	0.35
<b>Total revenues</b>	<b>1,362.93</b>	<b>100.00</b>	<b>1,255.70</b>	<b>100.00</b>	<b>1,136.57</b>	<b>100.00</b>
<b>EXPENSES</b>						
Cost of hospital operations	919.25	67.45	880.98	70.16	764.59	67.27
Cost of services	63.24	4.64	54.72	4.36	50.98	4.49
Services and administrative expenses	153.02	11.23	141.57	11.27	137.48	12.10
Management remuneration	36.64	2.69	33.39	2.66	34.94	3.07
Finance costs	3.01	0.22	19.59	1.56	25.54	2.25
<b>Total expenses</b>	<b>1,175.16</b>	<b>86.22</b>	<b>1,130.24</b>	<b>90.01</b>	<b>1,013.53</b>	<b>89.17</b>
Profit before income tax expenses	187.77	13.78	125.46	9.99	123.05	10.83
Income tax expenses	31.65	2.32	24.90	1.98	22.16	1.95
<b>Profit for the year</b>	<b>156.12</b>	<b>11.45</b>	<b>100.56</b>	<b>8.01</b>	<b>100.88</b>	<b>8.88</b>
<b>Other comprehensive income :</b>						
Items that will not be reclassified to profit or loss						
Actuarials loss on the defined employee benefit plans, net income tax	(7.39)	(0.54)	-	-	(6.89)	(0.61)
Other comprehensive income (loss) for the year	(7.39)	(0.54)	-	-	(6.89)	(0.61)
<b>Total comprehensive income for the year</b>	<b>148.73</b>	<b>10.91</b>	<b>100.56</b>	<b>8.01</b>	<b>93.99</b>	<b>8.27</b>
Profit attributable to						
Owners of the company	155.90	11.44	100.45	8.00	98.98	8.71
Non-controlling interests of the subsidiaries	0.22	0.02	0.11	0.01	1.91	0.17
	<b>156.12</b>	<b>11.45</b>	<b>100.56</b>	<b>8.01</b>	<b>100.88</b>	<b>8.88</b>
Total comprehensive income attributable to						
Owners of the company	148.53	10.90	100.45	8.00	92.20	8.11
Non-controlling interests of the subsidiaries	0.20	0.01	0.11	0.01	1.80	0.16
	<b>148.73</b>	<b>10.91</b>	<b>100.56</b>	<b>8.01</b>	<b>93.99</b>	<b>8.27</b>
Basic earnings per share	0.21		0.17		0.18	
Attributable to owners of the company						

(#) 2014 financial figures were restated as show in 2015 audited financial statements.

Statements of Cash Flow for the 3-year ended December 31:

Description	2016	2015	2014 (Restated)#
	Million Baht	Million Baht	Million Baht
<b>Cash flows from operating activities</b>			
Profit for the year	156.12	100.56	100.88
Adjustments to profit for the year to cash provided by (used in) from operations:			
Interest income	(2.01)	(1.68)	(0.19)
Investments income from private fund	(17.00)	-	-
Unrealized gain on investments from private fund	(4.94)	-	-
(Gain) loss from sales of fixed assets	0.37	1.42	(0.53)
Other incomes - consultant payable	(2.15)	-	-
Doubtful accounts (reversal)	4.92	2.65	(2.19)
Bad debts	0.91	0.88	2.09
Written off withholding tax	1.47	0.68	0.22
Depreciation	60.52	55.14	51.15
Amortization	3.84	2.74	2.63
Employee benefit expenses	6.52	4.55	4.37
Finance costs	3.01	19.59	25.54
Income tax expenses	31.65	24.90	22.16
<b>Profit from operations before changes in operating assets and liabilities</b>	<b>243.22</b>	<b>211.42</b>	<b>206.13</b>
<b>Changes in operating assets - (Increase) Decrease</b>			
Trade and other receivables	(11.18)	(43.51)	6.74
Accrued revenues from hospital operations	(17.98)	39.65	(114.51)
Inventories	0.06	(1.62)	1.34
Current assets	1.65	(0.23)	(1.37)
Other non-current assets	1.52	(1.53)	0.48
<b>Changes in operating liabilities - Increase (Decrease)</b>			
Trade and other payables	(11.27)	38.73	35.49
Other currents liabilities	4.18	(0.70)	(1.24)
Other non - current liabilities	5.23	0.70	0.28
<b>Cash generated from operation</b>	<b>215.44</b>	<b>242.90</b>	<b>133.34</b>
Cash received from interest income	1.47	1.74	-
Cash paid for employee benefit obligations	(2.98)	(1.12)	-
Cash paid for income tax	(23.32)	(22.01)	(23.94)
<b>Net cash provided by operating activities</b>	<b>190.62</b>	<b>221.52</b>	<b>109.40</b>

(#) 2014 financial figures were restated as show in 2015 audited financial statements.

Statements of Cash Flow for the 3-year ended December 31: (continued)

Description	2016	2015	2014 (Restated)#
	Million Baht	Million Baht	Million Baht
<b>Cash flows from investing activities</b>			
Increase in long-term fixed deposit	(1.01)	(0.40)	
(Increase) decrease in temporary investments	(388.11)	(16.90)	0.21
Cash received from investments of private fund	14.48		
(Increase) decrease in restricted deposits	22.35	(62.40)	0.88
Cash received from short-term loans to related persons	-	-	2.30
Cash paid for purchase of property, plant and equipment	(187.03)	(55.54)	(31.78)
Cash paid for purchase of intangible assets	(8.26)	(1.48)	(7.57)
Cash received from sale of fixed assets	0.45	0.13	0.65
Cash paid for land leasehold right	-	(8.42)	-
Cash received from interest income	0.63	-	0.34
<b>Net cash used in investing activities</b>	<b>(546.50)</b>	<b>(144.61)</b>	<b>(34.98)</b>
<b>Cash flows from financing activities</b>			
Cash receive for paid-up capital	-	971.99	-
Increase (decrease) in overdrafts from financial institution	19.04	(52.95)	35.97
Cash received from short-term loans from related company	-	-	29.43
Cash paid for short-term loans from related company	-	-	(24.73)
Cash received from short-term loans from related persons and parties	-	48.10	63.70
Cash paid for short-term loans from related persons and parties	-	(91.90)	(49.40)
Cash paid for liabilities under financial lease agreements	(19.34)	(12.68)	(20.47)
Cash received from long-term loans from financial institution	-	7.30	15.07
Cash paid for long-term loans from financial institution	-	(308.07)	(77.80)
Cash paid for share of non-controlling interests of investment	-	-	(4.50)
Dividend payment	(112.50)	(33.00)	(60.50)
Dividend paid to non-controlling interests	(0.10)	(0.10)	(0.57)
Cash paid for interest expenses	(0.50)	(18.39)	(23.81)
<b>Net cash provided by (used in) financing activities</b>	<b>(113.40)</b>	<b>510.29</b>	<b>(117.61)</b>
Net increase (decrease) in cash and cash equivalents	(469.28)	587.20	(43.19)
Cash and cash equivalents at beginning of the year	589.34	2.14	45.33
<b>Cash and cash equivalents at end of the year</b>	<b>120.06</b>	<b>589.34</b>	<b>2.14</b>

(#) 2014 financial figures were restated as show in 2015 audited financial statements.

**Key Financial Ratios:**

Description	unit	2016	2015	2014(#)
<b><u>Liquidity Ratios</u></b>				
Current Ratio	times	3.50	4.14	0.78
Quick Ratio	times	3.40	4.03	0.71
<b><u>Activity Ratios</u></b>				
Account Receivable Turnover	times	13.92	17.71	21.04
Average Collection Period	days	26.22	20.61	17.35
Fixed Asset Turnover	times	1.58	1.66	1.53
Account Payable Turnover	times	5.63	5.81	6.42
Average Payment Period	days	64.87	62.80	56.82
Cash Cycle	days	(31.44)	(34.92)	(31.19)
Inventory Turnover	times	50.64	50.25	44.13
Average Sale (Inventory) Period	days	7.21	7.26	8.27
Total Asset Turnover	times	0.71	0.84	1.02
<b><u>Leverage Ratios</u></b>				
Debt/Equity Ratio	times	0.22	0.18	1.17
Interest Coverage Ratio	times	360.19	7.66	6.61
<b><u>Profitability Ratios</u></b>				
Gross Profit Margin	%	26.04	24.79	27.73
Net Profit Margin	%	11.44	8.00	8.71
Return on Asset (ROA)	%	10.00	9.69	13.34
Return on Equity (ROE)	%	9.82	9.59 <sup>(1)</sup>	19.58
<b><u>Financial Ratio</u></b>				
Dividend Payout	%	96.21 <sup>(3)</sup>	112.00 <sup>(2)</sup>	61.13

(1) an increase of shareholders' equity as at December 31, 2015 of Baht 877.58 million mainly due to the IPO.

(2) dividend payout as percentage of 2015 annual consolidated net profit comprising dividend paid from operating results (59.73%) and from unappropriated retained earning (52.27%).

(3) dividend payout as percentage of 2016 annual consolidated net profit comprising dividend paid from operating results (67.35%) and from unappropriated retained earning (28.86%).

(#) 2014 financial figures were restated as show in 2015 audited financial statements.

## BUSINESS POLICY AND OVERALL OPERATION

### Overall Operating Performance

The business operation of the Company and its subsidiaries covers 3 main business sectors comprising hospital and related healthcare services, scientific analytical and diagnostic laboratory service of medical healthcare, food, agricultural, pharmaceutical, clinical trial, as well as calibration and hospital management and consulting services having details as follows:

#### 1. HEALTH CARE SERVICES: operated and managed by

- Ladprao General Hospital Public Company Limited ("LPH", "Company" or "Hospital") operates a private hospital business in Bangkok providing complete general healthcare services (General Hospital) and special medical care for both outpatients and inpatients including emergency with 24-hour ambulatory service. The Company has always emphasized the importance of quality healthcare with efficient, advanced and high standard technology medical equipment and experienced physicians and staff under the registered hospital name of "Ladprao Hospital" ("Hospital") with 180 licensed beds and capacity over 3,400 outpatients per day.
- Ladprao General Hospital 2 Company Limited ("LP2") (Subsidiary) LP2 has not yet operated. The company has been established with the objective to operate the new established private hospital providing healthcare services as planned.

#### 2. SCIENTIFIC ANALYTICAL And DIAGNOSTIC SERVICES And RESEARCH For MEDICAL, AGRICULTURAL, FOOD AND DRUG operated by

- Asia Medical and Agricultural Laboratory and Research Center Co., Ltd. ("AMARC") (Subsidiary) operates full services in scientific analytical and diagnostic laboratory which include medical healthcare, food, agricultural, pharmaceutical testing and clinical trial, as well as equipment calibration with scientific expertise, modern methodology and highly efficient technological equipment aimed as providing high quality results with international standard.

#### 3. HOSPITAL MANAGEMENT AND CONSULTING SERVICES: operated by

- Asia Business Management Center Co., Ltd. ("ABMC") (Subsidiary) is a company focused on providing hospital management and consulting services including medicinal statistics, legal counseling, and business development. Since the current services mainly support only for the Company realized as inter-transaction therefore its revenues are not consolidated in the Company financial statements.

Since the present Company's revenues are from its hospital and related healthcare services providing to various types of customers both general and Social Security patients, the variety of income base strengthen the revenue growth. The Company is one of the leading healthcare service providers on Ladprao and its surrounding areas recognized as high quality hospital with excellent doctors supported by experienced colleagues, advanced technology and responsive service in a comforting environment. The Company also has its location advantage due to not only situated among the high population density area surrounded by a number of growing private enterprises, shopping centers, schools, education centers and organizations but also supported by being in the official developing zone according to the city plan. In addition, the continually support from government on public

health knowledge enhance and stipulate public health awareness as well which therefore support the Company sustainable growth.

In addition, the Company reported the service performance from scientific analytical and diagnostic laboratory of food, agricultural, pharmaceutical and medical operating by AMARC (subsidiary). The revenue from this testing service sector has continuously increased mainly due to growing customer base both new and existing ones who have recognized AMARC, been satisfied and impressed with the in-time reliable and efficient high quality services with certified international standard.

#### ● Analysis on Operating Performance

##### Revenues

The Consolidated revenue structure for the year 2016 mainly derived from 3 business sectors, having details as earlier mentioned, comprising hospital and related healthcare services operating by the Company, scientific analytical and diagnostic laboratory service of medical healthcare, food, agricultural, pharmaceutical, clinical trial, as well as calibration under AMARC (subsidiary) and hospital management & development and consulting services operating by ABMC which its revenues are not consolidated in the financial statements for its support only for the Company that realized as inter-transaction, .

The Company revenue structure is as follows:

Revenues Structure	Company	2016		2015		2014 (Restated)	
		Million Baht	%	Million Baht	%	Million Baht	%
1. HOSPITAL REVENUES	LPH	1,213.16	89.01	1,145.71	91.24	1,044.08	91.86
- Hospital Revenues from general clients		635.88	46.66	590.27	47.01	557.37	49.04
- Revenues from Social Security Fund		577.28	42.35	555.44	44.23	486.71	42.82
2. SERVICE REVENUES	AMARC	115.32	8.46	98.40	7.83	84.40	7.43
- Scientific Testing & Research		115.32	8.46	98.40	7.83	84.40	7.43
3. OTHER REVENUES		34.44	2.53	11.59	0.93	8.09	0.71
- Investments income, net of private fund		21.95	1.61	-	-	-	-
- Rental income		5.33	0.39	4.61	0.37	4.15	0.36
- Others		7.17	0.53	6.98	0.56	3.94	0.35
<b>Total Revenues</b>		<b>1,362.92</b>	<b>100.00</b>	<b>1,255.70</b>	<b>100.00</b>	<b>1,136.57</b>	<b>100.00</b>

The consolidated revenues for the year 2016 totaling of Baht 1,362.93 million increased from last year by 8.54% comprising the revenue from hospital operation amounted to Baht 1,213.16 million, or an average of 89.01%, testing and analytical service revenue operating by AMARC (subsidiary) of Baht 115.32 million or 8.46% and other income of Baht 34.45 million or 2.53% of total revenues respectively.

Growing of 8.54% consolidated revenues over the same period of last year generated from not only hospital and service revenues that raised by 5.89% and 17.20% respectively but miscellaneous income also grew by 197.11% which was mainly driven by the increasing hospital visits via growing healthcare spending, enlarged customer base of the subsidiary (AMARC), and greater return on investment of Company Private Fund.



## Operating Performance

### **Revenue from Hospital Operation**

The Company's sources of income are mainly from 2 customer segments comprising the revenues from general clients and patients under the Social Security Scheme which have details as follows:

Revenue from Hospital Operation	2016		2015		2014 (Restated)	
	Million Baht	%	Million Baht	%	Million Baht	%
- Hospital Revenues from general clients	635.88	52.42	590.27	51.52	557.37	53.38
<i>Outpatients (OPD)</i>	365.00	30.09	325.49	28.41	311.52	29.83
<i>Inpatients (IPD)</i>	270.88	22.33	264.78	23.11	245.85	23.55
- Revenues from Social Security Fund	577.28	47.58	555.44	48.48	486.71	46.62
<b>Total Revenues from Hospital Operation</b>	<b>1,213.16</b>	<b>100.00</b>	<b>1,145.71</b>	<b>100.00</b>	<b>1,044.08</b>	<b>100.00</b>

The Company reported its 2016 revenues from hospital operation totaling of Baht 1,213.16 million accounted for 89.01% of total revenues and increased from the previous year 2015 by 5.89%. The revenue growth was driven by the increase in pay per bill of general patients mainly due to Hospital's more complex of quality services and treatments provided with efficient and advanced technology medical equipment and experienced physicians and staff.

### **Hospital Revenues from general clients**

The Company had its 2016 hospital revenues from general clients in the amount of Baht 635.88 million accounted for 52.42% of total revenues from hospital operation and increased from the previous year 2015 by 7.73%.

In 2016, the hospital revenue from outpatients of Baht 365.00 million, which accounted for 57.40 of hospital revenues from general clients, increased from the previous year 2015 by 12.14%. Whereas the other 42.60% was derived from inpatients of Baht 270.88 million and also grew from 2015 at the rate of 2.30%.

The growth of revenues from general clients was primarily generated by the increase in general patients and higher average income by case following the implemented policy of expansion of medical specialty centers to cover diseases with high complexity including growing demanded segment, such as Skin Beauty and Dermatology Center and Elderly Care Treatment which therefore influencing more clients to generally visit the hospital.

### **Hospital Revenues from Social Security Fund**

The Company had revenue from Social Security Fund totaling of Baht 577.28 million, accounted for 47.58% of hospital revenues, an increase of 3.93% from 2015 mainly caused by the growing revenue from Extra Fee-for-Service in case of Chronic diseases which was based on patients classification and actual service workloads provided to SSS patients as well as the consequence of incremental income based on Capitation Payment following the granted an incremental of 10,000 social security quota in March 2016 of which more members gradually subscribed.

The Company's revenues from the Social Security Fund (SSF) mainly comprise 3 major categories in accordance with the Social Security Scheme ("SSS") as follows:-

**1) Revenues from Social Security Service based on Capitation Payment** The hospital will receive its service payment from the Social Security Office (SSO) based on the number of Social Security Scheme members (SSS-members) who have selected the Hospital as the main health service provider and registered as LPH- SSS members (LPH-SSS Members) consisted of 2 types of payment as followings:

- 1.1) **Social Security Service revenue by Capitation based on registered members** The hospital has its right to receive monthly payment from SSO based on the number of SSS-members who have selected the Hospital as the main health service provider and registered as LPH- SSS members
- 1.2) **Social Security Service revenue based on Hospital Accreditation (HA)** A hospital has its right to receive incremental payment if it has been granted the Hospital Accreditation (HA). LPH receives the incremental monthly special payment from SSO since the Hospital has been granted the highest: 3<sup>rd</sup> (third) hierarchy which is the highest level of hospital accreditation at the rate of Baht80 per LPH- SSS member per year.

**2) Revenues from Social Security Service based on Fee-for Service** According to the social security, fee-for-service scheme, a SS-health service provider has its right to receive payment from SSO on case-mix basis of actual service provided to SSS patients and the weighted average severity of diseases which has been divergent for any service provider as the case maybe, comprising:-

**2.1 Revenues from Extra Fee-for-Service in case of Chronic diseases** This type of extra payment is the fee-for-service based on patients classification and actual service workloads provided to SSS patients consisted of 2 categories: (1) Service for Out-patients (OPD) in case of 26 registered Chronic diseases announced by the SSO, for examples, Hypertension , Diabetes Millitus, Chronic Hepatitis and Liver Cirrhosis,etc. and (2) Service for In-patients (IPD) with adjusted relative weight less than 2 ( $AdjRW < 2$ ). The SSO considers its allocation payment based on the weighted relative case-mix basis or Diagnosis Related Group (DRGs) given comparative figures in accordance with the relative weight adjusted by in-patient admitted hospital days (Adjusted Relative Weight, AdjRW). The SSO reserves the budget from the social security fund for this type of extra service payment at the announced rate of Baht432 per SSS member per annum. Therefore, the SS reserved budget will be allocated as extra payment to the hospitals and all service providers for the aforementioned services of chronic diseases.

**2.2 Revenues from Extra Fee-for-Service in case of Severe Diseases** This extra payment is the fee-for-service based on patients with severe diseases and need to be admitted as in-patients having a serious degree of special care with the justified AdjRW of equal or greater than 2 ( $AdjRW \geq 2$ ). Any hospital has their rights to gather their records of the workloads submit to the SSO to receive the extra fee for their services. The SS patient charge rate in case of severe diseases was set at the rate of Baht 10,000 per one unit of AdjRW weight for the year 2015.

**2) Revenues from Social Security Service based on Reimbursement** The hospital will receive its extra service payment from the Social Security Office (SSO) in case of retrospective reimbursement as officially announced by the SSO, for examples, reimbursement for the medicines supported for chemotherapy of cancer patients and for the artificial organs; i.e. Prosthesis hip & eye. The hospital then directly submits the invoice regarding its actual professional services and/or artificial organs to the SSO for reimbursement.

## Revenues from Services

In 2016, the Company reported revenues from scientific and laboratory testing services totaling of Baht 115.32 million, or equivalent to 8.46% of total consolidated revenues, an increase of 17.20% from 2015.

The service revenue structure comprising:

Revenues from Scientific and Laboratory testing & Research	2016		2015		2014 (Restated)	
	Million Baht	%	Million Baht	%	Million Baht	%
1. Food and Agricultural Lab	105.03	91.07	87.09	88.30	72.18	83.77
2. Medical and Pharmaceutical Lab	2.86	2.48	5.24	5.32	9.21	10.68
3. Calibration Lab	5.98	5.19	5.21	5.29	3.90	4.53
4. Other Services*	1.45	1.26	1.07	1.09	0.88	1.02
Sub-total: before inter- transaction	115.32	100.00	98.61	100.00	86.17	100.00
Less: Inter-transactions	—	-	0.21	-	1.77	-
<b>Total</b>	<b>115.32</b>	<b>-</b>	<b>98.40</b>	<b>-</b>	<b>84.40</b>	<b>-</b>

Note: Other services involve charges for extra laboratory reports requested by clients.

The revenue from service has continuously increased mainly due to growing customer base who have recognized AMARC, satisfied and impressed with the efficient and high quality services delivering to with the certified international standard, well-experienced professional consultation, and the being accredited laboratory granted from the accreditation and/or recognizing government bodies. It is also a firm policy to develop professionalisms as marketing team to penetrate, establish, and expand its client's base not only at center but broaden through regionals to strengthen its continual growth.

## Other Income

For the year 2015, the Company had Baht 34.45 million of income other than revenues from hospital operation and scientific testing and laboratory service accounted for 2.53% of total revenues, an increase of 197.11% from the previous year 2015 comprising: 1) investment income –net of Private Fund 2) rental income and 2) others; having details as following:-

1) Investment Income –net of Private Fund recorded in the consolidated statement of comprehensive income for the year 2016 totaling of Baht 21.95 million or 1.61% of total consolidated revenues , an increase of 100.00% from previous year 2015 due to the fact of 2016 being the first year of fund establishment and investment.

2) Rental income stated in 2016 consolidated statements of Baht 5.33 million or 0.39% of total revenues, an increase of 15.60% from previous year 2015. This income derived from various rental activities included of merchandisers, food & beverage shops and restaurants situated in the Hospital's building as well as the apartment and land at Wangthonglang sub-district, Bangkok district, etc.

3) Consolidated other income for the year 2016 of Baht 7.17 million or 0.53% of total revenues, a YoY growth of 2.76% from previous year 2015 mainly from receivable interests. These earnings consisted of income from unused portion of medical treatment program, interest receivables of the Company and its subsidiaries, rental and utility charges from rental areas as well as profit from sales of assets, etc.

### **Cost of Services**

The Company reported consolidated cost of services for the year 2016 of Baht 982.49 million, accounted for 83.61% of total cost, an increase of 5.00% from last year 2015. The aggregate cost comprising cost of hospital operations, operated by the Company and cost of services managed by the subsidiary. The main cost was for hospital operations which were accounted for 93.56% of total consolidated cost with an increase of 4.34% YoY.

### **Cost of Hospital Operations**

Cost of hospital operations for the year 2016 was Baht 919.25 million, or equivalent to 75.77% of revenue from hospital operations, a growth of 4.34% from last year 2015 mainly caused by an increase of cost of doctors, nurses, and medical specialists so as to reserve the growth of intensify medical services and excellent specialty centers with on-going expansion according to the committed to the Company's growth objectives to engage in high level of international medical services standard. The major content comprised doctors' fee, nurses' benefits, as well as medicines and medical supplies.

The contribution of operating cost to the revenue from hospital operations had increased from 76.89% in 2015 to 75.77% in 2016 mainly caused by the higher growth rate of income than cost incurred while having upper revenue per head and better control of social security cost of services in 2016.

### **Cost of Services**

Cost of services for the year 2016 was Baht 63.24 million or 4.64% of the aggregate revenues. The content involved the cost of scientific testing with laboratory analysis operating by AMARC comprising salaries and wages for scientists and scientific testing experts, laboratory chemicals and agents, and depreciation accounted for 41.99%, 36.35%, and 13.51% of total cost of services respectively. However, the increased cost was justification as efficient controlling of testing cost, including man-hour and chemical agents utilized, for its conforming higher growth rate of 17.20 of laboratory service revenue.

### **Services and Administrative Expenses and Management Remuneration**

Services and administrative expenses and management remuneration of the Company and subsidiaries comprising employee benefits, management and directors remuneration, advisory fees, marketing and public relation, utilities, and administrative expenses, etc. The expenses for the year 2016 of Baht 189.66 million or equivalent to 13.92% of total revenues, an increase of 8.40% from last year 2015. Increase of Services and administrative expenses and management remuneration was mainly due to the higher depreciation following the investment in assets for Company expansion, the recruitment of additional employees to cope with the company growth, the allowance for doubtful accounts, and the increase in promotion & marketing, advertising, public relation activities, and information technology system to support the opening and the launch of hospital excellent service centers in/and the new building.

### **Financing Costs**

The consolidated financing costs for the Company and its subsidiaries for the year 2016 amounted to Baht 3.01 million, a decrease of 84.65% from last year 2015. The substantial lower financing costs mainly resulted from the use of proceeds to fully repay all loan from financial institution at the end of last October, 2015 while none of lending activities occurred during the year 2016.

## Profits

Profitability Ratio	2016		2015		2014 (Restated)	
	Million Baht	%	Million Baht	%	Million Baht	%
Gross Profit	345.99	26.04	308.41	24.71	312.91	27.73
Net Profit for the Year	156.12	11.45	100.56	8.01	100.88	8.88
Profit attributable to Owners of the Company	155.90	11.44	100.45	8.00	98.98	8.71

### Gross Profit and Gross Profit Margin

The Company and its subsidiaries reported gross profit for the year 2016 accounted for 26.04% of total revenues from hospital operation greater than the previous year of 24.79% due mainly to higher growth of hospital revenues than its incurred costs gearing by the efficient cost control policy even facing of preparing and retaining experienced doctors, physicians, specialists and expertise team for upcoming expansion so as to be able to offer excellent care and deliver better service outcome to clients.

### Net Profit and Net Profit Margin

The Company and its subsidiaries reported Baht 156.12 million net profit for the year 2016 or net profit margin of 11.45% which was better of or grown by 3.44% compared with last year caused the consolidated net profit attributable to equity owners of the Company for the year 2016 advanced to Baht 155.90 million, a growth of 55.21% over same period of last year. The growing performance was mainly driven by not only growing consolidated revenues of hospital and service with greater return on investment of Company Private Fund but also qualified and efficient 2016 costs and expenses management. The Company and subsidiaries' free of long term debt positions also enhanced the financial health reserved for its sustainable growth.

### Analysis on Financial Position

#### Assets

The Company and its subsidiaries reported total assets as at December 31, 2016 of Baht 1,958.53 million having the current assets of Baht 804.69 million and the non-current accounted for Baht 1,153.83 million, or equivalent to 41.09% and 58.91% of total assets respectively. The classification of major items is as following:-

#### Cash and cash equivalents and temporary investments

Cash and cash equivalents and temporary investments as at December 31, 2016 was totaling of Baht 120.06 million or equivalent to 6.13% of total assets, a decrease from the year 2015 YoY due to the switch the excess portion of liquidity asset to earn more return by investing in Company private fund.

#### Trade and other receivables

As at December 31, 2016 the Company and its subsidiaries reported trade and other receivables totaling of Baht 100.54 million, or equivalent to 5.13% of total assets which consisted of:

Trade and other receivables	2016 Million Baht	2015 Million Baht	2014 (Restated) Million baht
Receivable from Social Security Office	11.62	34.33	1.08
Trade receivable - other	68.07	56.00	47.46
Total	79.69	90.33	48.54
(Less) Allowance for doubtful accounts	(9.76)	(7.26)	(4.62)
<b>Total trade and other receivables -net</b>	<b>69.93</b>	<b>83.06</b>	<b>43.92</b>

According to the above data table, the receivable from Social Security Office was decreased mainly due to the efficient payment from the Social Security Office. If considered only the trade receivable – other than from Social Security Office, there was reported of Baht 68.07 million which was in corresponded with growing revenues from normal course of business operation.

Receivable Aging Analysis	2016		2015		2014 (Restated)	
	Million Baht	%	Million Baht	%	Million Baht	%
Within credit term	24.61	30.88	21.94	24.29	20.28	41.78
Less than 3 months	36.51	45.83	31.13	34.46	18.06	37.20
3-6 months	5.77	7.24	17.33	19.19	4.44	9.14
6-12 months	5.88	7.38	15.52	17.18	2.23	4.60
Over 12 months	6.91	8.67	4.41	4.88	3.53	7.28
<b>Total</b>	<b>79.69</b>	<b>100.00</b>	<b>90.33</b>	<b>100.00</b>	<b>48.54</b>	<b>100.00</b>

The Company had the proportion of total accrued income within credit term altogether with less than 180 days to the total outstanding receivables increased by 6.01% due to the greater amount of receivables following Company's growing revenues from normal course of business operation. Hence, it is the Company's policy to cope with uncontrolled loss of receivables by having allowances in relation to unreceivables' aging that is to set 50% of receivables of which aging lines between 181-360 days for doubtful account and 100% of ones if aging far beyond 1 year.

#### Accrued revenues from hospital operations

As at December 31, 2016 the Company accrued its net revenues from hospital operations by Baht 150.64 million or equivalent to 7.69% of total assets with the following details:

Accrued hospital revenues	2016		2015		2014 (Restated)	
	Million Baht	%	Million Baht	%	Million Baht	%
Accrued revenues from hospital operations of Chronic diseases	62.85	41.72	54.40	40.27	50.00	28.61
Accrued revenues from hospital operations provided to patients with severe diseases	84.25	55.93	75.15	55.63	119.18	68.20
Accrued social security income – other	5.96	3.95	5.54	4.10	5.56	3.18
Allowance for doubtful account	(2.42)	-1.60	-	-	-	-
<b>Total</b>	<b>150.64</b>	<b>100.00</b>	<b>135.09</b>	<b>100.00</b>	<b>174.73</b>	<b>100.00</b>

Accrued medical treatment income represents medical income that has not been collected from the Social Security Office. The Company is not able to determine the certain amount to be collected. In this regard, the management is required to make an estimation of such accrued income in accordance with bases, methods and terms specified by such authority, and consider the amount of the latest actual collection together with the current circumstances. Accrued revenues from hospital operations provided to patients with Chronic diseases and with

severe diseases were increased by 15.53% and 12.11% respectively mainly due to higher amount of registered types and SS patients admitted with such diseases .

### Inventory

As at December 31, 2016 the Company and its subsidiaries have their inventory left totaling Baht 19.37 million or equivalent to 0.99% of total assets comprising medicines, medical supplies, miscellaneous and laboratory having details as follows:

Inventory	2016		2015		2014 (Restated)	
	Million Baht	%	Million Baht	%	Million Baht	%
Medicines	9.81	50.64	9.02	46.43	9.52	53.45
Medical supplies	3.03	15.64	3.71	19.09	5.27	29.59
Miscellaneous	3.60	18.59	4.15	21.35	1.36	7.64
Laboratory chemicals	2.93	15.13	2.55	13.12	1.66	9.32
<b>Total</b>	<b>19.37</b>	<b>100.00</b>	<b>19.43</b>	<b>100.00</b>	<b>17.81</b>	<b>100.00</b>

The overall status for the Company and its subsidiaries as at December 31, 2016 showed the inventory amounted to Baht 19.37 million decreasing from 2015-YOY by 0.31% reflected of more efficient inventory management.

### Investment Property

As at December 31, 2016 the Company and its subsidiaries reported Baht 74.48 million of Investment Property value, equivalent to 3.80% of total assets comprising land and sport court owned by the Company but has been leased to Ladprao Education Co., Ltd. (LBS) for being the location of Ladprao Bi-Lingual School which also disclosed in the section of related parties' transaction.

### Property, Plant and Equipment

As at December 31, 2016 the Company has its property, plant and equipment accounted for 48.47% of total assets with the value of Baht 949.21 million. The increase was generated by the incremental investment in the hospital buildings' renovation and the medical equipment and supplies in lines with the policy of striving to be excellent medical service provider.

### SOURCES OF FUND

#### Liabilities

As at December 31, 2016, the Company and its subsidiaries reported their liabilities of Baht 351.25 million raised by 23.54% with the ratio of non-current liabilities to total liabilities of 34.57% increased by Baht 43.52 million from previous year mainly due to the incremental amount of investment in equipment by financial lease contracts and employee benefit obligations from recruits during the year.

#### Shareholders' Equity

As at December 31, 2016, the shareholders' equity value for the Company and its subsidiaries totaling of Baht 1,607.28 million, an increase by 2.30% mainly driven by total comprehensive income for the year 2016.